

Notes for DCI Meetings on 27 July

Iran-Iraq

1. The Iranians continue to prepare for the third phase of their current offensive, apparently having decided that the importance of this next battle justifies the large number of casualties that may result. The depth and breadth of Iraqi defensive preparations, its recent successes in pushing back the Iranian attacks, and Iran's failure to use flanking attacks place a clearcut Iranian victory (involving encirclement of Basrah and control of that portion of Iraq south to the Kuwaiti border) on the lower end of the range of possible battle outcomes. In the event of a major Iranian success, Tehran would expect (and we believe it would be able to obtain) accommodation from Kuwait, Qatar, and the UAE to its demands for a foreign policy tilt toward Iran, willingness to pay reparations, and adoption of internal Islamification measures.

2. Even if Iran again fails to achieve a battlefield breakthrough, it will continue to be a power to be reckoned with. While a serious military loss at Basrah would complicate its strategy, Tehran cannot be expected to alter its goals:

- Khomeini will still try to avenge his own expulsion from Iraq by seeking the ouster of Saddam Hussein;
- Iran will continue to pursue its pan-Islamic goals throughout the Gulf, relying more on subversive than conventional military tactics.
- Tehran will continue to seek the overthrow of conservative pro-Western regimes in the Gulf, relying more on subversive than conventional military tactics.

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-- Tehran will continue to seek through any available means to dissuade participants from attending the summit of the nonaligned movement scheduled for Baghdad in September.

3. The US might benefit most from continued stalemate.

- The position of moderates within Iran could be strengthened;
- The Gulf states will remain extremely wary of Iranian intentions, and might be more receptive to Western/moderate Arab assistance.

Lebanon

- Ambassador Habib has had some limited success in securing Arab agreement for PLO dispersal from West Beirut (Syria will take the leadership, Jordan may accept up to 3000 fighters), but an overall agreement has not yet solidified.
- Whatever the outcome of the Beirut situation, Lebanon increasingly appears certain to move closer to de facto partition. Israel is determined to retain predominance over the south, either in concert with the Phalange or Haddad or by itself, if necessary. Syria will do all it can to hold on to the Bekaa; Damascus calculates that over time many Lebanese will become disenchanted with Israel and again look to Syria to balance Israeli influence. As a result, prospects for a truly effective central government remain poor although the situation may be tolerable to us.
- Lebanon will be the key issue for Egyptian Foreign Minister Ali's visit this week to Washington. Cairo is pressing for an explicit link between PLO withdrawal from Beirut and a US-PLO dialogue.

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The Egyptians, frustrated by their inability to influence Israel, the Lebanese crisis, and US policy toward the PLO, have not been particularly helpful either with Habib or at the UN. Egypt is the only Arab country which can absorb several thousand PLO fighters and Mubarak wants to be reassured that his interests are being given sufficient attention in Washington. He has generally agreed to accept Palestinian units which originated in Egypt.

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